

# DOCKET SECTION

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

RECEIVED

JAN 28 4 46 PM '98

POSTAL RATE AND FEE CHANGES, 1997

POSTAL RATE AND FEE CHANGES, 1997  
Docket No. R97-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 9  
ITEMS 1-10  
(January 28, 1998)

The United States Postal Service hereby provides its responses to the above items of Presiding Officer's Information Request No. 9, issued January 14, 1998. The questions are stated verbatim and are followed by the answer, with declarations from the witnesses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Rate-making



Eric P. Koetting

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2992; Fax -5402  
January 28, 1998

RESPONSE OF POSTAL SERVICE WITNESS NEEDHAM TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 9

Question 1.

Refer to USPS LR-H-206, "Diskettes of witness Needham's (USPS-T-39) Testimony and Workpapers," WP-7, "Money Orders." Please provide the source of figures 609,186 and 163,019 which appear in the formula in Cell AD41. Also explain the difference between the FY 1996 Inquiry Fee transactions of 799,805 in Cell AD41 and 893,004 transactions reported in Table K-5 of USPS LR-H-145 "Billing Determinants, Fiscal Year 1996."

RESPONSE:

The source of the figures 609,186 and 163,019 which appear in the formula in Cell AD41 is the Docket No. R94-1 money order workpaper. The FY 1996 inquiry fee transactions figure of 799,805 in Cell AD41 is also from the Docket No. R94-1 money order workpaper and should be 893,004 as reported in the Fiscal Year 1996 Billing Determinants.

# DECLARATION

I, Susan W. Needham, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Susan W Needham

Dated: JANUARY 28, 1998

REVISED RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 9

2. Refer to USPS LR H-207, "Diskettes of Witness Plunkett's (USPS-T-40) Testimony and Workpapers," WP-13 "Summary of Special Services Cost Coverages" (revised 11/20/97). Please provide the after rates volume for Restricted Delivery in Column 1, and the after rates revenue for Insurance and Restricted Delivery in Column 4 to reflect changes made in response to POIR 5, questions 9 and 11.

2. Response:

See attached.

TEST YEAR AFTER RATES  
 SPECIAL SERVICES COST COVERAGES AND PERCENTAGE INCREASES

Service	After Rates Volume 1/ (1)	Cost Per Piece 2/ (\$) (2)	Total Cost 3/ (3)	After Rates Revenue 1/ (4)	Cost Coverage (Col 4/Col 3) (5)	After Rates Revenue Per Piece (Col 4/Col 1) (6)	Before Rates Revenue 1/ (7)	Before Rates Volume 1/ (8)	Before Rates Revenue Per Piece (Col 7/Col 8) (9)	After Rates Percentage Increase (Col 6/Col 9) (10)
<b>CERTIFICATE OF MAILING</b>	11,829,224	0.29	3,480,529	4,599,704	132.2%	0.39	4,013,043	11,891,493	0.337	15.2%
<b>INSURANCE</b>	31,122,768	1.56	48,549,042	74,682,633	153.8%	2.33	64,817	32,526	1.993	16.8%
<b>RESTRICTED DELIVERY</b>	4,052,789	1.71	6,930,269	11,145,170	160.8%	2.75	11,754,002	4,274,182	2,750	0.0%
<b>RETURN RECEIPTS</b>	244,274,066	1.00	243,558,272	358,080,557	147.0%	1.47	289,941	260,356	1.114	31.6%
<b>DELIVERY CONFIRMATION</b>	66,608,086	0.33	22,139,260	23,563,212	106.4%	0.35	NA	NA	NA	NA
<b>MAILING FEES</b>										
First-Class Presorted Mailing Fee	60,689	87.73	5,377,516	6,068,931	112.9%	100.00	5,183,405	60,981	85.000	17.6%
Periodicals Application Fees	9,764	61.12	596,821	767,249	128.6%	78.58	775,024	9,764	79.372	-1.0%
Standard (A) Bulk Mailing Fee	790,882	87.73	70,077,896	79,088,175	112.9%	100.00	67,790,460	797,535	85.000	17.6%
Standard (B) Special Mail Presort I	908	87.73	80,413	90,752	112.9%	100.00	77,159	908	85.000	17.6%
Authorization to Use Permit Imprin	91,966	87.73	8,148,893	9,196,639	112.9%	100.00	7,817,143	91,966	85.000	17.6%
Merchandise Return Permit Fee	1,307	87.73	115,799	130,688	112.9%	100.00	111,085	1,307	85.000	17.6%
Destination Bulk Mail Center Fee	170	87.73	15,086	17025.88	112.9%	100.00	14472.00	170	85.000	17.6%

1/ From the special services workpapers USPS T-40 WP 1-12

2/ From Special Services Cost Studies LR-H-107, or (3)/(1) for insurance and delivery confirmation

3/ The cost per piece in Column 2 multiplied by the volume in Column 1 plus 1% Contingency, except insurance (WP-15) and delivery confirmation (WP-5)

## DECLARATION

I, Michael K. Plunkett, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

  
MICHAEL K. PLUNKETT

Dated: January 28, 1998

RESPONSE OF WITNESS O'HARA TO PRESIDING OFFICER  
INFORMATION REQUEST NO. 9

3. Refer to USPS-T-30, Workpapers I and II, "Summary of Revenues, Fiscal Year 1998 Before (After) Rates" (Revised 8/22/97), page 3. It appears that Money Order Float revenues of \$62,020(000) for test year before rates and of \$61,996(000) for test year after rates are not included in the total "Postage and Fees" from Special Services. Please explain how these amounts are incorporated in the forecast of TYBR and TYAR total revenue.

RESPONSE:

The fact that money orders remain outstanding between the time they are purchased and the time they are cashed makes additional cash available to the Postal Service. The \$62 million ascribed to money order float represents the estimated financial benefit that results from the fact that interest income is earned and/or interest expense is avoided during the time period that money orders remain outstanding. The benefit from money order float is reflected in the Postal Service's interest income and interest expense estimates. The estimated \$62 million test year benefit that results from money order float is reclassified to money orders as a non-add amount for pricing purposes on USPS-T-30, Workpapers I and II, "Summary of Revenues, Fiscal Year 1998 Before (After) Rates" (Revised 8/22/97). This method is the same one that has been used in past rate cases.

## RESPONSE OF POSTAL SERVICE WITNESS O'HARA TO POIR NO. 9

4. Please revise Exhibit USPS-30A, page 42 (revised 9/19/97), "Summary of Estimated Fiscal Year 1998 Before Rates Finances" to reflect: (1) the revised volume forecasts in Supplemental Exhibit USPS-6A, page 2, "Quarterly Volume Forecasts, 1997Q1 to 1999Q4, Government Distributed to Classes, Before Rates;" and (2) any changes in volume, revenue or costs made in or required by the following responses to: (a) POIR 5 Items 3, 4, 7, and 10; (b) POIR 7 Items 7 and 8; and (c) POIR 8 Items 11, 14, and 17. The Supplemental Exhibit USPS-6A was filed on October 9, 1997, as attachment B to "Notice of the United States Postal Service of Revisions to the Testimony of Dr. George Tolley (USPS-T-6)."

### RESPONSE:

*A new exhibit in the format of Exhibit USPS-30A, revised in accordance with this request, is attached, along with three pages of supporting workpapers.*

The revised TYBR volumes, upon which my new exhibit is based and which are shown in the attached workpapers, were provided by Dr. Tolley specifically in response to this POIR (with the exception of those Special Services for which Dr. Tolley does not provide forecasts). I am informed by Dr. Tolley that these TYBR volumes are the same as those provided in his Supplemental Exhibit USPS-6A, entered into the record on October 22, 1997 (Tr. 13/6871), modified only slightly to take account of the following:

(1) Correction of the error acknowledged in Item 14, POIR No. 8, slightly changes the TYBR forecast for Standard Nonprofit and, because of a cross-volume effect, also causes an extremely small change in single-piece First-Class letters.

(2) Correction of the errors acknowledged in Items 6 and 8 of this POIR (No. 9) slightly changes the TYBR forecast for Periodicals Regular mail.

I am also informed by Dr. Tolley that correction of other errors has no effect on the

TYBR forecast, either because errors in the billing determinants (e.g., POIR No. 7, items 7 and 8; POIR No. 8, Item 13) do not affect the TYBR forecast if there are no changes in nominal or phased rates during the base period or the test year before-rates, or if they only involve the TYAR FWIs (e.g., POIR No. 8, item 11; POIR No. 9, item 5). Correction of these errors, of course, is nonetheless necessary to run the TYAR forecast correctly. Finally, I should note that the errors in the Express Mail and Priority Mail forecasts acknowledged by Dr. Musgrave in response to item 10 of POIR NO. 1 are reflected in my new exhibit because the necessary revisions were already incorporated by Dr. Tolley into his Supplemental Exhibit 6A, and the Express Mail and Priority Mail TYBR forecasts reflected in my new exhibit are consistent with those shown in Supplemental Exhibit 6A.

With respect to the volumes of those Special Services not forecasted by Dr. Tolley, witness Needham has made whatever minor adjustments need to be made to account for Dr. Tolley's changes in the forecasts of certain mail categories.

The cost figures in the exhibit were provided by witness Patelunas from the rollforward model, which was run with the same inputs as the rollforward run used in my Exhibit USPS-30A (revised 9-19-97), except now using the revised TYBR volume forecasts.

The revenue forecasts in the exhibit were developed as shown on the attached workpapers, generally using the same methodologies as used by the rate design

witnesses in making the initial revenue forecasts. Changes made in calculating revenues include corrections of the errors acknowledged in witness Moeller's response to item 18 of POIR No. 3 (Standard Regular and Standard Nonprofit), and witness Plunkett's response to item 10 of POIR No. 5 and item 17 of POIR No. 8. Witness Needham informs me that no changes are required on account of her responses to items 3, 4, and 7 of POIR No. 5, because they relate only to a finer level of detail than is contained in my exhibits and workpapers.

Finally, the revenue from BRM fees shown on line 4, page 1 of WP 1 are changed not only to reflect the very minor change in *First-Class Mail* volume, but also to correct an error in my WP1 as originally filed, which did not conform to witness Needham's Workpaper 3.

**SUMMARY OF ESTIMATED FISCAL YEAR 1998 BEFORE RATES FINANCES**  
(Dollars in Thousands)

Line No.	Description	Volume Variable Costs	Revenues	Percent of Costs (Col 2/Col 1)	Contribution To Other Costs (Col 2 - Col 1)
--		(1)	(2)	(3)	(4)
1	First-Class Mail				
2	Single-piece Letters	12,635,461	21,567,504	170.69%	8,932,043
3	Worksharing Letters	4,116,231	11,108,012	269.86%	6,991,781
4	Total Letters	16,751,692	32,675,516	195.06%	15,923,824
5	Single-piece Cards*	444,538	649,315	146.07%	204,777
6	Worksharing Postcards	166,243	410,826	247.12%	244,583
7	Total Cards	610,781	1,060,141	173.57%	449,360
8	Total	17,362,473	33,735,657	194.30%	16,373,184
9	Priority Mail	2,165,999	4,006,742	184.98%	1,840,743
10	Express Mail	426,133	838,953	196.88%	412,820
11	Mailgrams	508	4,680	921.22%	4,172
12	Periodicals				
13	In County	82,278	82,969	100.84%	691
14	Outside County				
15	Nonprofit	336,071	334,900	99.65%	(1,171)
16	Classroom	13,817	10,548	76.34%	(3,269)
17	Regular-Rate	1,586,763	1,631,332	102.81%	44,569
18	Total	2,018,929	2,059,749	102.02%	40,820
19	Standard Mail A				
20	Single Piece	230,358	157,568	68.40%	(72,790)
21	Commercial Regular	4,954,335	7,192,730	145.18%	2,238,395
22	Commercial Enhanced Carrier Route	2,165,356	4,721,672	218.06%	2,556,316
23	Total Commercial	7,119,691	11,914,402	167.34%	4,794,711
24	Nonprofit	1,089,004	1,165,670	107.04%	76,666
25	Nonprofit Enhanced Carrier Route	157,658	261,797	166.05%	104,139
26	Total Nonprofit	1,246,662	1,427,467	114.50%	180,805
27	Total Standard Mail A	8,596,711	13,499,437	157.03%	4,902,726
28	Standard Mail B				
29	Parcel Post	794,627	737,828	92.85%	(56,799)
30	Bound Printed Matter	335,746	492,917	146.81%	157,171
31	Special Rate	257,871	353,809	137.20%	95,938
32	Library Rate	51,776	48,279	93.24%	(3,497)
33	Total	1,440,020	1,632,833	113.39%	192,813
34	Free-for-the-Blind, etc.	31,863	0	0.00%	(31,863)
35	International Mail	1,228,396	1,625,558	132.33%	397,162
36	Special Services				
37	Registry	83,549	91,934	110.04%	8,385
38	Certified	342,363	410,866	120.01%	68,503
39	Insurance	42,744	64,776	151.54%	22,032
40	COD	17,193	16,287	94.73%	(906)
41	Money Orders	147,503	237,353	160.91%	89,850
42	Stamped Envelopes	12,459	13,843	111.11%	1,384
42a	Stamped Cards*	4,676		0.00%	(4,676)
43	Special Handling	1,334			(1,334)
44	Post Office Boxes	603,228	611,375	101.35%	8,147
45	Other		301,372		301,372
46	Total	1,255,049	1,747,807	139.26%	492,757
47	Other Costs **	185,647			(185,647)
48	Other Income		215,531		215,531
49	Volume-Variable Costs and Revenues	34,711,728	59,366,946	171.03%	24,655,219
50	Total Other Costs	26,719,796			(26,719,796)
51	Prior Years Loss Recovery	61,431,524			(446,933)
52	Continuing Appropriations	446,933	67,274		67,274
53	Investment Income		33,580		33,580
54	GRAND TOTAL	61,878,457	59,467,800	96.10%	(2,410,656)

\*In column (1), \$4630\*1.01 Stamped Card manufacturing costs are shown on line42a rather than line 5.

\*\*Includes \$28,450\*1.01 cost increase due to BY->TY growth in Return Receipt & Restricted Del. (methodology in USPS-T-40, WP 14)

Sources: Volume Variable Costs: Roll-forward provided by witness Patelunas

Revenue: WP 1, pp. 2-3

DOMESTIC MAIL FEES DISTRIBUTION TO SUBCLASS  
FISCAL YEAR 1998 BEFORE RATES  
(\$ in 000)

Attachment to Response to POIR 9, #4, p.2 of 4

WP I, page 1

		Letters		Cards			
Line No.	First Class			Postal	Private		Total
		Single	Worksharing		Single	Worksharing	
1	Pieces (millions)	54,379	41,522	595	2,546	2,551	101,594
2	Percent of Pieces	53.53%	40.87%	0.59%	2.51%	2.51%	100.00%
3	Address Correction	14,512	11,081	159	679	681	27,111
4	Business Reply	121,391	—	—	6,522	—	127,913
5	Cert. of Mailing	2,926	513	32	137	32	3,640
6	Presort Permit Fee	—	4,884	—	—	300	5,184
7	Total	138,828	16,478	191	7,339	1,012	163,848
Priority Mail							Total
8	Address Correction						68
9	Business Reply						691
10	Cert. of Mailing						308
11	Total						1,068
Periodicals		Within County	Nonprofit	Classroom		Regular Rate	Total
12	Pieces (millions)	911	2,188	51		7,175	10,325
13	Percent of Pieces	8.83%	21.19%	0.50%		69.49%	100.00%
14	Address Correction	1,793	4,304	101		14,118	20,316
15	Application Fees	68	164	4		539	775
16	Total	1,861	4,469	105		14,656	21,091
				Bulk			
Standard Mail A		Single Piece		Regular	Nonprofit		Total
17	Pieces (millions)	166		66,778	13,255		80,033
18	Percent of Bulk Pieces			83.44%	16.56%		100.00%
19	Address Correction	3,544		32,130	6,378		42,051
20	Bulk Permit Fee			38,161	29,627		67,788
21	Cert. of Mailing	12		0	0		12
22	Special Handling	21		—	—		21
23	Total	3,577		70,291	36,004		109,873
Standard Mail B			Parcel Post	Bound Printed Matter	Special Rate	Library Rate	Total
24	Pieces (millions)		242	567	200	30	1,040
25	Percent of Pieces		23.24%	54.57%	19.29%	2.91%	100.00%
26	Address Correction		153	402	96	32	683
27	Cert. of Mailing		10	24	8	1	44
28	Presort Permit		—	—	77	—	77
29	Special Handling		323	0	72	25	420
30	Parcel Airlift		79	—	—	—	79
31	Total		565	426	253	59	1,303
International							Total
32	Cert. of Mailing						11
33	Special Handling						0
34	Other						0
35	Total						11
36	GRAND TOTAL FEES						300,769

Summary of Revenues  
Fiscal Year 1998 Before Rates  
(thousands)

Attachment to Response to POIR 9, #4, p.3 of 4

WP I, page 2

Line No.	Mail Service	Mail Volume	Postage	Fees	Postage & Fees (Col 2 + Col 3)	Revenue Per Piece (Col 4/Col 1)
		(1)	(2)	(3)	(4)	(5)
1	First-Class Mail					
2	Letters - Single	54,379,326	21,428,676	138,828	21,567,504	0.396612
3	Automated and Carrier Route Letters	36,151,602	9,340,552	0	9,340,552	0.258372
4	Non-Automated Presort Letters	5,370,875	1,750,982	0	1,750,982	0.326014
5	Total Worksharing	41,522,477	11,091,534	16,478	11,108,012	0.267518
6	Total Letters	95,901,803	32,520,210	155,306	32,675,516	0.340718
7	Postal Cards	594,834	118,967	191	119,158	0.200321
8	Post Cards - Single	2,545,903	522,818	7,339	530,157	0.208239
9	Automated and Carrier Route Post Cards	1,907,807	293,966	0	293,966	0.154086
10	Non-Automated Presort Cards	643,598	115,848	0	115,848	0.180001
11	Total Worksharing Cards	2,551,405	409,814	1,012	410,826	0.161020
12	Total Cards	5,692,142	1,051,599	8,542	1,060,141	0.186246
13	Business Reply Fees	0	127,913	(127,913)	0	
14	Domestic Mail Fees	0	35,935	(35,935)	0	
15	Total First Class	101,593,945	33,735,657	0	33,735,657	0.332064
16	Priority Mail					
17	Priority Mail	1,131,663	4,005,675	1,068	4,006,742	4
18	Domestic Mail Fees	0	1,068	(1,068)	0	
19	Total Priority	1,131,663	4,006,742	0	4,006,742	4
20	Express Mail	64,832	838,953	0	838,953	13
21	Mailgrams	4,761 *	4,680	0	4,680	1
22	Periodicals					
23	In-County	811,249	81,108	1,861	82,969	0
24	Outside County					
25	Nonprofit	2,187,615	330,431	4,469	334,900	0
26	Classroom	51,242	10,443	105	10,548	0
27	Regular-Rate	7,175,030	1,616,676	14,656	1,631,332	0
28	Domestic Mail Fees	0	21,091	(21,091)		
29	Total Periodicals	10,325,136	2,059,749	(0)	2,059,749	0.199489
30	Standard Mail A					
31	Single-Piece Rate	165,760	153,991	3,577	157,568	0.950578
32	Commercial					
33	Regular	34,357,606	7,156,565	36,165	7,192,730	0.209349
34	Enhanced Carrier Route	32,420,044	4,687,546	34,126	4,721,672	0.145641
35	Total Commercial	66,777,650	11,844,111	70,291	11,914,402	0.178419
36	Nonprofit					
37	Nonprofit	10,123,427	1,138,173	27,497	1,165,670	0.115146
38	Enhanced Carrier Route	3,132,069	253,290	8,507	261,797	0.083586
39	Total Nonprofit	13,255,496	1,391,463	36,004	1,427,467	0.107689
40	Bulk Mailing Fees	0	67,788	(67,788)	0	
41	Domestic Mail Fees	0	42,063	(42,063)	0	
42	Special Handling	0	21	(21)	0	
43	Total Standard Mail A	80,198,906	13,499,437	0	13,499,437	0.168324

**Summary of Revenues**  
**Fiscal Year 1998 Before Rates**  
 (thousands)

WP I, page 3

Line No.	Mail Service	Mail Volume	Postage	Fees	Postage & Fees (Col 2 + Col 3)	Revenue Per Piece (Col 4/Col 1)
		(1)	(2)	(3)	(4)	(5)
1	Standard Mail B					
2	Parcel Post					
3	Inter-BMC	55,244	168,614	0	168,614	3.052170
4	Intra-BMC	186,310	568,650	0	568,650	3.052170
5	Total Parcel Post	241,554	737,264	565	737,828	3.054507
6	Bound Printed Matter	567,292	492,490	426	492,917	0.868894
7	Special Rate	200,489	353,556	253	353,809	1.764731
8	Library Rate	30,252	48,220	59	48,279	1.595879
9	Domestic Mail Fees	0	804	(804)	0	
10	Special Handling	0	420	(420)	0	
11	PAL Fees	0	79	(79)	0	
12	Total Standard Mail B	1,039,587	1,632,833	0	1,632,833	1.570655
13	Total USPS Penalty Mail	298,093	0	0	0	
14	Free-for-the-Blind	56,427	0	0	0	
15	Total Domestic Mail	194,713,350	55,778,051	0	55,778,051	0.286462
16	International					
17	Postage	1,025,247	1,373,547	11	1,373,558	1.339733
18	Terminal & Transit	0	252,000	0	252,000	
19	Fees, etc.	0	11	(11)	0	
20	Total	1,025,247	1,625,558	0	1,625,558	1.585528
21	Total All Mail	195,738,597	57,403,609	0	57,403,609	0.293267
22	Special Services					
23	Registry	18,196	91,934	0	91,934	5.676340
24	Certified Mail	304,345	410,866	0	410,866	1.350001
25	Insurance	31,413	64,776	0	64,776	2.062076
26	COD	3,936	16,287	0	16,287	4.137957
27	Special Delivery	0	0	0	0	0.000000
28	Money Orders	236,686	237,353	62,020	299,373	1.264853
29	Stamped Envelopes	460,000	13,843	0	13,843	0.030094
30	Box/Caller Service	15,894	611,375	0	611,375	38.466687
31	Subtotal	1,068,470	1,446,435	(62,020)	1,384,415	1.295699
32	Other *	N/A	301,372	0	301,372	N/A
33	Total	1,068,470	1,747,807	0	1,747,807	1.635804
34	Total Mail & Services	195,738,597	59,151,415	0	59,151,415	0.302196
35	Other Income	0	215,531	0	215,531	
36	Appropriations	0	67,274	0	67,274	
37	Investment Income	0	33,580	0	33,580	
38	Total, all items	195,738,597	59,467,800	0	59,467,800	0.303812

\* Includes Return Receipts and Restricted Delivery.

**Sources:**

Mail Volumes: Provided by witness Tolley, except Stamped Envelopes and Box/Caller Service, provided by witness Needham.

Postage and Fees: Provided by Pricing witnesses, using methods described in their testimonies and workpapers cited below:

First-Class: USPS-T-32, WP I, pp.5-6

Periodicals: Regular:USPS-T-34,WP RR-E,p1.

Within County:USPS-T-34,WP WC-D,p1.

Standard A: USPS-T-36, WP I, pp.6-7; WP II, pp.6-7

Parcel Post: USPS-T-37, WP II.C, p.1

Other Income: Response to POIR 8, question 15.

Special Services: Insurance, Cert. of Mailing, Restricted Del., Return Receipt, Applications, &amp; Permits: USPS-T-40, WP13

All Other: USPS-T-39, WP 1-17

Express &amp; Priority: USPS-T-33, Tables 2 &amp; 6

Nonprofit: USPS-T-35,WP E,p1.

Classroom:USPS-T-35, WP E,p2.

BPM, Spec., Lib.: USPS-T-38, WP BPM1,Lib1,SR1

Appropriations: USPS-9E; Invest. Inc: USPS-9G

# DECLARATION

I, Donald J. O'Hara, hereby declare, under penalty of perjury, that the foregoing Docket No. R97-1 interrogatory responses are true to the best of my knowledge, information, and belief.

1-27-98  
Date

Donald J. O'Hara  
Donald J. O'Hara

**RESPONSE OF POSTAL SERVICE WITNESS TOLLEY  
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 9**

5. Refer to LR-H-172, "Derivation of After-Rates Fixed Weight Price Indices." Spreadsheet MONY96A.WK4 "Special Services - Money Orders." Please confirm that the entry for Money Order Inquiry fee of "\$3.00" in Cell A:N39 should be changed to "\$2.75."

**RESPONSE:**

Confirmed.

**RESPONSE OF POSTAL SERVICE WITNESS TOLLEY  
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 9**

6. b. The FY 1996 volume figures in LR-H-172, "Derivation of After-Rates Fixed Weight Price Indices," Spreadsheet PER96A.WK4, page PX2R, Cells B69, B70, and B73 are equal to the volume figures in Cells L91, L92, and L93, respectively. The volume figures in Cells B69, B70, and B73 are used by witness Tolley to develop the FWI for Periodicals Regular Rate mail. Please explain the appropriateness of using the figures from Cells L91, L92, and L93 in the development of FWI for Periodicals Regular Rate mail.

**RESPONSE:**

The development of the FWI for Periodicals Regular Rate Mail requires the use of the total number of pieces, including Science of Agriculture pieces, receiving discounts for Editorial content, Delivery Unit entry, and SCF entry. Because cells L91, L92, and L93, on page "Bill. Det. Reports" of spreadsheet 2C\_RR\_X9.XLS do not contain the Science of Agriculture pieces receiving these discounts, it is necessary to add them to the pieces in cells L91, L92, and L93. Cell L81 should be added to cell L91, cell L82 should be added to cell L92, and cells L80 and L87 should be added to cell L93. In the spreadsheet PER96A.WK4, the cells B69, B70, and B71 on page PX2R should contain the following values:

Cell	Entry
B69	$38.407606 + 0.221623$
B70	$2094.983772 + 0.579322$
B73	$4094.664828 + 2.767747 + 0.01133$

**RESPONSE OF POSTAL SERVICE WITNESS TOLLEY  
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 9**

8. Refer to LR-H-172, "Derivation of After-Rates Fixed Weight Price Indices," Spreadsheet PER96A.WK4, "Periodicals Within County, Nonprofit, Classroom, and Regular," page PX2R. Please confirm that the following changes should be made in the current and proposed rates for Periodical Regular Rate mail.

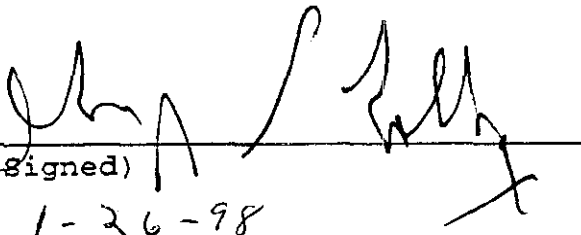
- a. Cell AM94, figure 0.127 should be changed to 0.169.
- b. Cell AM95, figure 0.143 should be changed to 0.190.
- c. Cell AM96, figure 0.161 should be changed to 0.214.
- d. Cell AN94, figure 0.119 should be changed to 0.158.
- e. Cell AN95, figure 0.135 should be changed to 0.180.
- f. Cell AN96, figure 0.152 should be changed to 0.203.

**RESPONSE:**

(a) - (f). Confirmed.

DECLARATION

I, George Tolley, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information and belief.

  
(Signed)

1-26-98

(Date)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 9

**Question 6.**

Refer to witness Taufique's Workpaper RR-A, pages 1 and 2, and the associated computer spreadsheet designated 2C\_RR\_X9.XLS, page "Bill. Det. Reports." The volume figure in Cell L91 is equal to the volume figure in Cell L68, and therefore does not include the volume figure in Cell L81. Similarly, the volume figure in Cell L92 equals the volume figure in Cell L69, and does not include the volume figure in Cell L82. Also, the volume figure in Cell L93 is equal to the volume figure in Cell L67, and does not include either the volume figure in Cell L80 or the volume figure in Cell L87.

- a. Please explain the meaning and use of volume figures in Cells L91, L92, and L93.

**RESPONSE**

a. Cell L91 displays Periodicals Regular Rate DDU discount pieces only and does not include Science of Agriculture (SOA) or SOA Commingled pieces. Similarly, Cell L92 displays Periodicals Regular Rate SCF discount pieces only and does not include SOA SCF or SOA commingled SCF pieces. Likewise, Cell L93 displays Periodicals Regular Rate editorial content pieces and does not including SOA or SOA commingled editorial estimates. These cells are not used in my subsequent workpapers. Instead, Cells L67, L68, L69, L80, L81, L82, and L87 are used in subsequent volume and revenue calculations. See my computer spreadsheet designated 2C\_RR\_X9.XLS: page "TYBR Bill. Det." - cells B43, B44, B45, B57, B58, B59, and B64, and page "TYAR B.D." - cells C43, C44, C45, C59, C60, C61, and C65.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 9

**Question 7.**


Refer to witness Taufique's Workpaper RR-A, pages 1 and 2, and the associated computer spreadsheet designated 2C\_RR\_X9.XLS, page "Bill. Det. Reports." Row 18 is labeled "Nonadvertising - Including SOA & Commingled." Row 30 is labeled "SCI. OF AGRICULTURE - NONADVERTISING." Row 38 is labeled "SOA COMMINGLED NONSBSCRBR NONADVERTISING." Please confirm that the volume figures in Row 18 do include the volume figures in Rows 30 and 38.

**RESPONSE**

Confirmed.

### DECLARATION

I, Altaf H. Taufique, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

  
ALTAF H. TAUFIQUE

Dated: 1/28/98

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 9

**POIR No. 9, Item 9**

9. *Please provide the Postal Inspection Service report on the audit of RPW and ODIS systems mentioned on page 10 of the Semiannual Report of the Office of Inspector General, April 1-September 30, 1997, Volume 2.*

**RESPONSE:**

This report was filed by the Postal Service on December 10, 1997, as Library

Reference H-313.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 9

10. In response to OCA/USPS-T12--61, redirected from witness Degen, witness Alexandrovich describes the process used in the computation and redistribution of clerk and mailhandler volume variable premium pay. One of the steps noted by the witness calculates the percentage of the night-shift differential and Sunday premium costs which are volume variable non-BMC mail processing, shown on line 6 of Workpaper B-3, W/S 3.0.13. These volume variable non-BMC percentages are derived by multiplying the percentage of clerk and mailhandler IOCS direct tallies involving night-shift differential, LR-H-146 at V-14, and Sunday premium, LR-H-146 at V-17, by the average mail processing labor variability for MODS 1 & 2 operations, shown in USPS-T-12, Table 4. Tr. 13/7080.

In the Postal Service's response to Order No. 1203, the calculation for the redistribution of volume variable premium pay appears to follow all the same steps except that the percentage of clerk and mailhandler non-BMC direct tallies is multiplied by the total average mail processing variability of 93.46 percent rather than the average mail processing variability for MODS 1 & 2 operations of 92.73 percent, which is shown in Table A of LR H-315.

Please confirm that in the response to Order No. 1203 the percentage of clerk and mailhandler non-BMC direct tallies is multiplied by the total average mail processing variability to develop the volume variable non-BMC premium costs shown on Worksheet 3.0.13 of USPS LR H-316. If confirmed, please explain why the total average mail processing variability percentage was used rather than the average variability percentage of MODS 1 & 2 offices used in its original presentation.

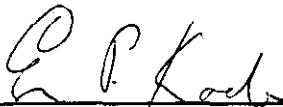
If not confirmed, explain the basis for the calculation in the response to Order No. 1203 used to derive the volume variable non-BMC premium costs to be redistributed.

Response:

We confirm that the total average mail processing variability was used in developing volume variable non-BMC premium costs shown on Worksheet 3.0.13 of USPS LR H-316. To be consistent with the Postal Service's original filing, it should have been the average variability for MODS 1&2 offices used by witness Alexandrovich.

### **CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

  
\_\_\_\_\_  
Eric P. Koetting

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
January 28, 1998